

---

## TEMPORARY WORK FORCE REDUCTION

---

*APPLICATION: Full-time and part-time classified employees.*

### PURPOSE

Permits agencies to reduce employees' work hours and pay temporarily or to place employees in a non-working status temporarily. Such reductions are limited to no more than 690 work hours in a 365-day period. Certain employee benefits are protected during the period of reduced-hours or non-working status.

---

### DEFINITIONS

#### **Long Term Disability (LTD)**

A benefit received by employees in a disability status who are covered by Policy 4.57, Virginia Sickness and Disability Program (VSDP). The benefit commences upon the expiration of a 180-calendar-day waiting period and provides partial income replacement.

#### **Long Term Disability-Working (LTD-Working)**

A benefit received by employees in a disability status who are covered by Policy 4.57, Virginia Sickness and Disability Program (VSDP). The benefit commences upon the expiration of a 180-calendar-day waiting period, and allows employees to continue to work for their agency from short-term disability working status into LTD-working. An employee in LTD-working must work at least 20 hours or more per workweek in their own position.

#### **Short Term Disability (STD)**

A benefit received by employees in a disability status who are covered by Policy 4.57, Virginia Sickness and Disability Program (VSDP). The benefit commences upon the expiration of a 7-calendar-day waiting period, and provides replacement income for defined periods of time based on an employee's total months of state service.

#### **Temporary Work Force Reduction (TWFR)**

A temporary schedule modification that results in (1) fewer hours worked than the employee's regular schedule, (2) commensurately reduced pay, and (3) protection for the employee's status and benefits.

Limitations: (1) All reductions must be made within a period not to exceed 365 days.

(2) An employee may not be subject to TWFR in a successive 365-day period calculated from the final day of his or her TWFR-altered schedule.

Variations: (1) Reductions may be continuous or intermittent. (2) Work hours may be reduced or eliminated completely for one or more pay periods.

Part-time classified employees are subject to TWFR, with proportionate limits. For example, an employee who works 24 hours per week (60% of full time) may have his or her work hours reduced by up to 414 hours (60% of 690) within a 365-day period.

**Temporary Work Force  
Reduction –  
Combination**

A temporary change in an employee's work schedule that places the employee in a non-working, non-pay status for one or more complete pay periods and reduces scheduled work hours and pay during one or more other pay periods. For example, the employee's schedule may be changed to reflect no work hours from November 25 through January 9, and 32 hours per week from January 10 through March 10. The maximum total reduction of work time for a full-time employee is 690 hours in a 365-day period.

**Temporary Work Force  
Reduction – Non-  
working status**

A temporary change in an employee's work schedule that places the employee in a non-working, non-pay status for one or more complete pay periods. The employee's work schedule is changed so that the (full-time) employee does not work for up to 690 work hours within a 365-day period. Such non-working status may be scheduled continuously or intermittently within the 365-day period.

**Temporary Work Force  
Reduction – Reduced  
Hours**

A temporary change in an employee's work schedule so that the employee works fewer than his or her regularly scheduled work hours per pay period. The employee's salary is reduced commensurately for affected pay periods during the specified duration of the schedule reduction. A reduction in hours may be scheduled continuously or intermittently. The maximum reduction is 690 hours in a 365-day period (for full-time employees).

The employee's benefits will be protected although the employee may work less than 20 hours per week during a temporary work force reduction (TWFR).

**VRS Retirement  
Contribution and  
Service Credit**

Earned VRS service credit, including any prior service credit that is used in the calculation of a retirement benefit. See below for effects of TWFR on retirement contribution and credit.

**IMPLEMENTING  
TWFR****Identification of  
Employees for TWFR**

Agency management shall identify employees to be affected by a TWFR based on agency business needs. Employees may request to be considered for TWFR; however, the agency has final authority for identifying employees for TWFR. The decision must not be based on an employee's race, color, religion, gender, age, national origin, disability, or political affiliation. Agencies should consider reducing or eliminating the hours of wage employees as an alternative or addition to TWFR of classified employees.

**Duration of TWFR**

The period during which an employee's work hours are reduced or eliminated may be continuous or intermittent but may not extend for more than 365 days from the date of the first schedule change due to TWFR.

Additionally, TWFR cannot be imposed on an employee in successive years. That is, an employee who has been placed on TWFR is not subject to another TWFR for 365 days from the date of his or her last scheduled TWFR change. For example, the schedule of an employee on TWFR is reduced for the period January 10 through May 29. This employee is not subject to another TWFR until May 30 of the *next* calendar year.

**Maximum Amount of  
Reduction**

A full-time, 40-hours per week employee's work schedule may be reduced by no more than 690 hours per 365-day period. The limit for part-time classified employees must be pro-rated according to their percentage of a 40-hour schedule.

**FLSA Impact of TWFR**

Agencies may reduce the work hours and salary of an FLSA-exempt employee for some or all hours in a workweek due to budgetary requirements. The employee's exemption is lost only for the workweek(s) when the hours and salary are reduced. If an agency uses TWFR for business reasons unrelated to budgetary requirements, the hours and salaries of FLSA-exempt employees may only be reduced in full workweek increments.

**Prior to Implementing  
TWFR**

Before implementing a TWFR, agencies must:

- designate business functions to be suspended or reassigned,
- determine whether the entire agency or only certain designated work unit(s) are to be affected,
- determine if TWFR will be imposed as non-working status, reduced schedule, or a combination, and
- determine if voluntary requests for TWFR will be

considered.

NOTE: While relying on business necessity in planning a TWFR, agencies should also be aware of the impact of such decisions on employees. Therefore, if possible, agencies should consider the impact on employee morale when establishing TWFR schedules.

**Notification Process**

Agencies must provide a minimum of two weeks notice to employees before placing them in TWFR. The following information must be included in the notice to employees (See attachment A):

- Extent of the TWFR (reduced hours, non-working status, or a combination) and total reduced hours anticipated;
- Schedule for the entire period of the TWFR as far as possible, and
- Status of employee's benefits during the TWFR including leave accrual rate for employees working reduced hours.

Management reserves the right to alter the TWFR schedule as business needs require. Agencies must notify employees if further reductions are to be made. Such changes must fall within the original 365-day period and may not exceed the policy maximum (690 hours for full-time employees).

NOTE: A modified schedule does not create or imply an employment contract.

**Conclusion of TWFR**

At the end of the TWFR, the employee must be returned to his or her original position and schedule. If the agency determines that staff reductions must be made on a permanent basis, the provisions and procedures of Policy 1.30, Layoff, must be applied. (See DHRM Policy 1.30, Layoff.)

---

**TWFR FOR  
EMPLOYEES ON  
LEAVE WITH PAY  
AND VSDP****VSDP Short Term  
Disability (STD)  
Benefits**

An employee on STD under the Virginia Sickness and Disability Program (see Policy 4.57, Virginia Sickness and Disability Program) may receive notice that his or her position will be subject to a TWFR. STD benefits will not be reduced because of the TWFR status except that the employee may not use annual, compensatory or overtime leave to restore his or her salary to 100% income replacement. However, disability credits may be used during TWFR to restore the employee's salary to 100%

income replacement.

If the employee is released to work full-time/full-duty within the time period of the announced TWFR, he or she will be placed on the TWFR schedule (reduced hours, non-working, or combination status at that time.

Time when the employee is on TWFR status, reduced hours, non-working, or combination status, counts toward the 180-day period for LTD eligibility.

If an employee moves from STD into LTD non-working status after receiving notification of TWFR or beginning TWFR the employee then is on LTD status only and the position is considered vacant.

**VSDP Long-Term  
Working Disability  
Benefits**

An employee on LTD-Working status under the Virginia Sickness and Disability Program may receive notice that his or her position will be subject to a TWFR. Benefits provided to employees will not be reduced because of TWFR status. The employee may not use annual, compensatory or overtime leave to restore his or her salary to 100% income replacement but may use disability credits to receive 100% income replacement. The agency will be responsible for payment for disability credits used.

While in TWFR employees in LTD-Working status will receive disability benefits from the Third Party Administrator at 60% of pre-disability salary. The employee will continue to be considered in LTD-Working status and will receive the employer-paid portion of health care and life insurance premiums. Employees will not be eligible for the health insurance credit.

**Workers'  
Compensation**

Employees placed on TWFR non-working status who are receiving Workers' Compensation benefits will continue to receive these benefits while authorized. Employees not under VSDP who normally would receive an agency supplement will not receive this supplement during non-working TWFR.

Annual, compensatory or overtime leave, and family and personal leave may not be used to supplement salary to receive 100% income replacement for non-VSDP or VSDP employees receiving benefits. Employees receiving VSDP benefits may use Disability Credits to restore their salary to 100%.

Employees placed on TWFR reduced hours who are receiving Workers' Compensation benefits or who have been returned to modified duty through Workers' Compensation may be eligible

to receive the Workers' Compensation benefit.

NOTE: Each case must be evaluated individually to determine whether employees will be entitled to receive these benefits. Agencies must contact the Workers' Compensation Office at least two weeks prior to placing on TWFR an employee who is receiving Workers' Compensation benefits to ensure that benefits are coordinated accurately.

**Filing VSDP Claims  
During TWFR**

Reduced Hours – The disability benefit for employees who file VSDP claims while in TWFR reduced hours will be based on the employee's salary while working reduced hours. When employee reverts to a non-reduced schedule his or her disability benefit will be calculated on his or her pre-TWFR salary. If the employee continues to be disabled during the remaining scheduled TWFR, the disability benefit will be based on the pre-TWFR salary.

Example: The employee's hours are reduced to 20 hours per week for two weeks each month for 12 months. During the 2<sup>nd</sup> two-week reduction the employee files a VSDP claim, serves the 7-calendar-day waiting period, and begins receiving STD benefit on the 8<sup>th</sup> day at 100%. The benefit is based on reduced schedule salary, but will revert to pre-TWFR salary when the end of the two week reduction expires. If the employee remains disabled for the remainder of the scheduled TWFR, the employee's STD benefit will be based on pre-TWFR salary.

Non-Working Status – Employees who file VSDP claims while on TWFR non-working status will not be able to receive STD income replacement benefits until their schedule reverts to working status. At that time employees must serve a 7-calendar-day waiting period before receiving STD benefits. The 180-calendar-day period begins on the first day of the 7-calendar-day waiting period.

**Leaves of Absence With  
Pay**

Employees who are on Family and Medical Leave or other Leaves of Absence With Pay, including absences for illness or disability, are considered active employees. If their positions are identified for TWFR they will be notified and provided appropriate benefits.

**Use of Previously  
Approved Leave During  
TWFR**

The agency must retract approval for any part of previously requested leave no longer scheduled as work time because of a TWFR.

For example, a full-time employee has asked to use annual leave for Monday through Friday of the second week of July. After the request is approved, a TWFR involving that employee's position

is imposed. Under TWFR, the employee's schedule has been reduced and she does not work on Wednesdays. Therefore, the employee cannot use leave to cover Wednesday of the week that had been approved for annual leave. If the TWFR had eliminated all work hours for July, the entire week would have to be taken without pay.

---

**IMPACT OF TWFR  
ON BENEFITS**

During a TWFR an employee's benefits are affected as follows:

NOTE: Benefits for employees on a combination of reduced hours and non-working status will be determined by their status at the time.

**Annual Leave Accrual**

Reduced Hours – Employees will accrue annual leave on a prorated basis, according to the percentage of full-time hours they are scheduled to work during a pay period.

Example: A full-time employee whose work hours are reduced during a TWFR to 40% of 40 hours per week (16 hours per week) per pay period will earn annual leave at 40% of the full accrual rate.

Non-Working Status – Employees will not accrue annual leave during pay periods when they are not scheduled to work.

**Traditional Sick Leave  
Accrual**

Reduced Hours – Employees will accrue traditional sick leave on a prorated basis, according to the percentage of full-time hours they are scheduled to work during a pay period. See example above.

Non-Working Status – Employees will not accrue traditional sick leave during pay periods when they are not scheduled to work.

**VSDP Sick and Family  
and Personal Leave -  
STD and LTD-Working**

Reduced Hours – Employees in TWFR status who are working reduced hours on January 10 will receive the allotment of VSDP leave on January 10 for current part-time employees based on their months of state service. When they return to a full-time work schedule, their allotment will be increased to the appropriate full-time amount. (Used leave will not be replaced.)

Non-Working Status – Employees in TWFR non-working status on January 10 will not receive the VSDP leave credits until they return from TWFR.

**Disability Credits**

Non-Working or Reduced Hours – Employees receiving STD or LTD-working disability benefits may use disability credits during periods of TWFR to restore salary to 100% income replacement. Disability credits must be used in increments of 8 hours.

**Leave Balances**

Annual, Traditional Sick, Compensatory, and Overtime Leave – Balances are retained. Leave may be used as appropriate to cover absences from **scheduled work time** for employees working reduced hours.

Agencies may extend the compensatory leave expiration date to account for periods of non-working TWFR.

**Holidays**

An employee working reduced hours under TWFR will be entitled to receive holiday pay or compensatory time for a holiday only for the number of hours that he or she is scheduled to work that day.

For example, if an employee whose work hours are reduced is not scheduled to work on Mondays, he or she is ineligible for holiday pay for any holidays that fall on Monday. However, if the employee is scheduled to work 8 hours on Mondays, he will receive pay for the holiday.

An employee on TWFR non-working status does not receive pay or compensatory time for any holidays that occur during the TWFR period.

NOTE: In assigning holidays to a TWFR schedule, agencies should consider potential inequities and employee morale issues.

**Service Credit for Leave**

Reduced Hours and Non-Working Status – Employees whose hours are reduced or who are placed in a non-working status will receive full service credit during the period of TWFR for the purpose of determining their years of service as they affect the following:

- Annual leave accrual rate;
- Eligibility to receive payment for accrued traditional sick leave upon leaving state service; and
- VSDP months of service.

**Service Credit for Retirement**

If an employee on TWFR earns any pay during a month, his or her agency will make its retirement contribution based on the employee's full salary before TWFR, and the employee will receive service credit towards retirement for the entire month at the pre-TWFR salary.

If an employee on TWFR has no earnings during a month, the agency will not make a retirement contribution and the employee will not receive retirement service credit for that month.



---

**TEMPORARY WORKFORCE REDUCTION**

**POLICY NO.:** 1.65  
**EFFT. DATE:** 09/16/93  
**REV. DATE:** 10/25/02

---

Service Credit for  
Employees Receiving  
VSDP Benefits

A VSDP-participating employee on TWFR, whether in reduced hours or non-working status, who is receiving STD benefits will continue to receive the full retirement contribution and service credit. Employees receiving LTD benefits will receive service credit only.

**Healthcare Insurance**

Agencies will continue to pay the state portion of the health insurance premiums for employees on TWFR, whether reduced hours, non-working, or a combination status. Agencies should inform employees of alternatives for paying the employee share of their premiums if payroll deduction is no longer suitable.

**Life Insurance**

Agencies will continue to pay the life insurance premiums for employees during TWFR based on the employees' pre-TWFR compensation.

If an employee should die during a TWFR, his or her beneficiaries would be entitled to benefits based on the employee's regular, pre-TWFR compensation.

**Optional Life Insurance**

Employees who want to continue optional life insurance must coordinate monthly payment arrangements with their agency.

**Impact on Probationary  
Period**

Reduced Hours – Reduced hours under TWFR do not affect the duration of an employee's probationary period.

Non-Working Status – An employee's probationary period is extended by the amount of time the employee is in a non-working status under TWFR if the non-working status included a period of more than 14 consecutive days.

**Unemployment  
Compensation**

Employees on TWFR may be eligible to receive Unemployment Compensation. Decisions are made by the Virginia Employment Commission.

---

**AUTHORITY**

This policy is issued by the Department of Human Resource Management pursuant to the authority provided in Section 2.2, of the Code of Virginia.

---

**INTERPRETATION**

The Director of the Department of Human Resource Management is responsible for official interpretation of this policy, in accordance with Section 2.2-1201(13) of the Code of Virginia.

Questions regarding application of this policy should be directed to the Department of Human Resource Management's Office of Compensation and Policy. The Department of Human Resource Management reserves the right to revise or eliminate this policy as necessary.

---

**TEMPORARY WORKFORCE REDUCTION**

**POLICY NO.:** 1.65  
**EFFT. DATE:** 09/16/93  
**REV. DATE:** 10/25/02

---

**RELATED POLICIES**

Policy 1.30, Layoff  
Policy 3.10, Compensatory Leave  
Policy 3.15, Overtime Leave  
Policy 4.10, Annual Leave  
Policy 4.25, Holidays  
Policy 4.55, Sick Leave  
Policy 4.57, Virginia Sickness and Disability Program  
Policy 4.60, Workers' Compensation

---